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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSALS SIXTEEN THROUGH TWENTY)	Docket No. RM2012-2

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES IN ANALYTICAL PRINCIPLES (PROPOSALS SIXTEEN THROUGH TWENTY)
(November 30, 2011)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider three proposals to change analytical principles relating to the Postal Service's periodic reports. The proposals, labeled Proposals Sixteen through Twenty, are discussed in the attached text.[1]

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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[1] Proposal One for this year was filed on April 6, 2011. Order No. 713 (Apr. 8, 2011), Docket No. RM2011-9. Proposal Two was filed on May 10, 2011. Order No. 727 (May 12, 2011), Docket No. RM2011-10. Proposal Three was filed on May 18, 2011. Order No. 736 (May 23, 2011), Docket No. RM2011-11. Proposals Four through Eight were filed on August 8, 2011. Order No. 810 (Aug. 17, 2011), Docket No. RM2011-12. Proposals Nine through Fifteen were filed on November 1, 2011. Order No. 963 (Nov. 10, 2011), Docket No. RM2012-1.

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Proposal Sixteen

PRODUCTIVITY MEASUREMENT FOR FLATS SEQUENCING SYSTEM

OBJECTIVE:

This proposal introduces a Management Operating Data System (MODS) based productivity measurement for Flats Sequencing System (FSS) operations, for use in cost models for flats.

BACKGROUND:

Presort cost avoidances are calculated using engineering-economic models that de-average mail processing costs for presorted products by presort level. The models characterize mailflows for products at various presort tiers, and use inputs including productivities (pieces per workhour), wage rates, and piggyback factors to compute costs. These models are periodically updated to reflect operational changes, including major equipment deployments such as FSS.

FSS has two major components: Stand-Alone Mail Prep (SAMP, MODS operation 530), and the FSS sorter (MODS operation 538). Flats sorted to delivery point sequence are prepped in operation 530, and then sorted to delivery point sequence in operation 538. MODS Total Pieces Fed (TPF) for operation 538 consists of machine counts of pieces inducted into the FSS sorter (and, by extension, prepped in the SAMP operation); the corresponding Total Pieces Handled (TPH) is a count of successfully sorted pieces. The workload measure for operation 530 is based in part on conversions of manually entered tray counts to pieces. The Postal Service believes the direct piece counts from the FSS machine more accurately measure FSS volumes.

PROPOSAL:

The proposed FSS productivity will use TPH from operation 538 in the numerator and the sum of workhours from operations 530 and 538 in the denominator. This treats an attempted FSS sort as a single event per FSS mailpiece, incorporating the prep and sorting work.

IMPACT:

The FSS productivity measure is new for FY 2011, so there are no data to predict the impact of the FSS productivity on flats cost avoidances.

Proposal Seventeen

CONSOLIDATED MODS OPERATION GROUPS FOR LETTER AUTOMATION PRODUCTIVITIES

OBJECTIVE:

This proposal consolidates certain Management Operating Data System (MODS) operation groups for letter automation (DBCS/DIOSS) productivity calculations, which were provided at a more disaggregated level in ACR2010 folder USPS-FY10-23, to account for changes to certain MODS operation definitions in FY2011 and FY2012.

BACKGROUND:

ACR2010 folder USPS-FY10-23 provided MODS productivities—Total Pieces Fed (TPF) or Total Pieces Handled (TPH) per workhour—for a variety of letter, flat, and parcel distribution operations. The data in USPS-FY10-23 are used as inputs to engineering-economic cost models that calculate workshare cost avoidances. The mailflow models use MODS data at finer levels of disaggregation than the cost pools used in the Cost Segment 3.1 mail processing cost model.

Beginning in late FY2011, some MODS operation numbers were discontinued, and the associated work incorporated into other MODS operations, to promote more accurate use of a streamlined set of operation numbers. The initial changes, effective July 31, 2011, affected letter automation operations. In particular, much of the workload and associated workhours previously incorporated in the Input Subsystem (ISS) operation groups in USPS-FY10-23 shifted to Barcode Sorting (BCS) operation groups. A similar, though smaller, shift also affects Output Subsystem (OSS) operation groups in FY2011, and OSS operations are to be further consolidated with BCS operations in FY2012. Once the FY2012 MODS operation changes are implemented, it will not be

possible to separately measure ISS, OSS, and BCS productivities and related operating data. The proposed consolidation of operations for USPS-FY10-23 makes appropriate use of the streamlined MODS operations.

PROPOSAL:

The proposed group consolidations are as follows. Operations from the USPS-FY10-23 ISS and OSS groups would be assigned to appropriate BCS groups.

USPS-FY10-23 Group	Proposed Group for USPS-FY11-23
Outgoing ISS Primary and Secondary (Outgoing Primary operations)	Outgoing BCS Primary
Outgoing ISS Primary and Secondary (Outgoing Secondary operations)	Outgoing BCS Secondary
Incoming ISS Primary and Secondary (Managed Mail operations)	Incoming BCS MMP
Incoming ISS Primary and Secondary (Incoming SCF and Incoming Primary operations)	Incoming BCS SCF/Primary
Incoming ISS Primary and Secondary (Incoming Secondary operations)	Incoming BCS Secondary (1 Pass)
Outgoing OSS Primary and Secondary (Outgoing Primary operations)	Outgoing BCS Primary
Outgoing OSS Primary and Secondary (Outgoing Secondary operations)	Outgoing BCS Secondary
Incoming OSS Primary and Secondary (Managed Mail operations)	Incoming BCS MMP
Incoming OSS Primary and Secondary (Incoming SCF and Incoming Primary operations)	Incoming BCS SCF/Primary
Incoming OSS Primary and Secondary (Incoming Secondary operations)	Incoming BCS Secondary (1 Pass)

The mailflow models would employ the productivity data from the consolidated BCS operation groups in place of the productivities from the previous disaggregated groups.

IMPACT:

The table below shows the effect of the proposed consolidation on the

productivities in USPS-FY10-23.

Description	**USPS-FY10-23 TPF/Hour**	**FY2010 TPF/Hour With Proposed Group Consolidation**
Out ISS Primary and Secondary	5,675	n/a
In ISS Primary and Secondary	3,671	n/a
Out OSS Primary and Secondary	8,530	n/a
In OSS Primary and Secondary	6,203	n/a
Out BCS Primary	8,424	7,647
Out BCS Secondary	10,103	9,411
In BCS MMP	6,192	6,006
In BCS SCF/Primary	6,237	6,209
In BCS Secondary (1 Pass)	7,455	7,520

Proposal Eighteen

MODIFICATIONS TO THE FLATS COST MODELS

This proposal makes four modifications to the flats cost models. Each modification is described separately below. The following three Excel files relate to these modifications: Prop18FCMFlats.xls, Prop18STDFlats.xls, and Prop18PERFlats.xls.

Modification One

Objective:

This modification incorporates Flats Sequencing System (FSS) processing costs into the flats costs models.

Background:

The deployment of FSS is now complete, making it necessary to estimate costs for FSS operations. In past ACRs, any elements of FSS costing in the models were voided due to lack of reliable data. While all FSS-related input data are still not available for the FY2011 ACR, the models have been set up to estimate costs for FSS.

Rationale:

This modification makes necessary changes in flats models to accommodate the deployment of FSS. This modification incorporates new inputs that are FSS-specific – i.e., cost pool, productivity, volume-variability factor, coverage factors, accept rates, piggyback factors, Mail Characteristics Study data, etc. – into the cost model worksheets. This modification applies to all First-Class Mail, Periodicals, and Standard Flats models.

Please see the attachment FSSModifications.pdf for more information.

Impact:

The impact of the modification can be noticed in the cost summary worksheet by turning the switch “on” or “off” in the Switches worksheet.

Modification Two

Objective:

This modification corrects an anomalous cost difference between Mixed ADC (MADC) auto and ADC auto costs.

Background:

The piece downflow density estimates for the Outgoing Primary (OP) schemes were developed using bin statistics for all mail processed on the OP scheme, rather than being restricted to mail prepared in MADC bundles or containers.

Rationale:

MADC mail is a small portion of the mail worked in the OP scheme. The bulk of the mail processed in the OP scheme is single-piece or collection mail. Single-piece mail and MADC mail have different density characteristics. Single-piece mail can both originate and destinate in the same SCF service territory, such as a piece mailed across town. On the other hand, MADC mail, by construction, generally precludes the incidence of intra-SCF mail. By rule, any mail that originates and destinates in the service territory of the SCF where the mail is entered is to be isolated and presented separately in origin 3-Digit containers and bundles.

The use of downflow densities for the OP scheme derived using a mailstream that includes single-piece mail results in biased estimates of the cost of MADC mail. This bias is caused by overstating the proportion of MADC mail that flows from the OP

scheme directly to the Incoming Secondary (IS) scheme. To reduce this bias the OP densities are adjusted by setting the OP to IS flow to zero and scaling the remaining flows to 100 percent. The Commission accepted a similar approach for the letter models. This modification applies to all First-Class Mail, Periodicals, and Standard Flats models

Impact:

This modification corrects the anomaly of ADC costs being higher than MADC costs. The impact can be observed by turning the modification switch “on”.

Modification Three

Objective:

This modification corrects an error in the calculation of ADC pallet mechanized bundle sortation in the Periodicals flats costs model.

Background:

In the previous model, cell references for ADC pallet mechanized bundle sortation coverages incorrectly referenced the mechanized bundle coverages for MADC containers.

Rationale:

These formula errors are corrected by remapping the proportion of broken ADC pallet bundles. This modification applies only to the Periodicals costs model.

Impact:

The modification has been set up with a switch in the Switches spreadsheet. The impact can be seen across multiple cost cells by turning the switch “on”.

Modification Four

Objective:

This modification calculates the costs for bundles entered on MADC pallets, a newly proposed classification.

Background:

As a new classification, the Postal Service has proposed allowing entry of bundles on MADC pallets. Since no volumes existed for such a classification in FY2011, the Postal Service proposes to use ADC pallets entered at the destination ADC as a proxy for MADC pallets.

Rationale:

Due to the fact that an MADC pallet entered at the origin ADC will incur operations identical to those applied to an ADC pallet entered at the destination ADC, an OADC entered MADC pallet will have identical modeled costs as a DADC entered ADC pallet. The modeled cost of an OSCF or ONDC MADC pallet will have similar modeled costs to an ADC pallet entered at the DNDC, as both pallets are similar in that they require transportation to a relatively nearby processing facility where they will be opened and have the contents distributed.

Impact:

The new classification adds new cost cells under the MADC pallet categories in bundle and container costs in the Summary worksheet. This modification applies only to the Periodicals model.

Proposal Nineteen

MODIFICATION OF THE FIRST-CLASS MAIL PRESORT LETTERS MAIL PROCESSING COST MODEL

OBJECTIVE:

This proposal modifies the First-Class Mail presort letters mail processing cost model to respond to direction from the Commission in the 2010 Annual Compliance Determination (ACD) to disaggregate the cost estimates for nonautomation machinable MAADC and AADC presort Standard Mail letters. This Standard Mail presort letters cost model modification was presented in Docket No. RM2012-1, Proposal Twelve. The Postal Service proposes that the same modification should be made to the First-Class Mail presort letters cost model for consistency.

BACKGROUND:

The First-Class Mail price list currently contains one nonautomation machinable presort letters price category. The mail processing cost model, however, contains four separate cost estimates for nonautomation machinable letters at the individual presort levels. These four cost estimates are weighted together into one aggregate nonautomation machinable presort letters cost estimate using volume data.

RATIONALE:

The First-Class Mail mail processing cost model that was filed by the Postal Service in Docket No. RM2011-5, Proposal 9, and approved by the Commission in Order No. 741, serves as the starting point for this analysis. That model contains one mail flow spreadsheet and one cost spreadsheet that represents the mail flow and cost estimate for both nonautomation machinable MAADC presort letters and nonautomation machinable AADC presort letters.

The mail flow spreadsheet indicates that the first operation for both MAADC presort and AADC presort letters is the outgoing input sub system (ISS) operation. MAADC letters are not presorted to any degree. Consequently, the outgoing ISS operation would be the first operation through which MAADC presort letters are processed. AADC presort letters, however, are presorted to the destinating AADC. Consequently, the first operation through which AADC presort letters are processed should be the incoming ISS operation, rather than the outgoing ISS operation. The tab names and titles for these spreadsheets have therefore been modified to indicate that the existing spreadsheets are specific to MAADC presort letters only ('MACH MAADC COST' and 'MACH MAADC MODEL').

The model also contains a mail flow spreadsheet and cost spreadsheet that represents nonautomation machinable 3-digit presort letters and nonautomation 5-digit presort letters. The first operation through which the mail pieces in this model are processed is the incoming ISS operation. This is the same operation through which nonautomation machinable AADC presort letters should be processed. The tab names and titles for the spreadsheets have therefore been modified to indicate that these spreadsheets are specific to all incoming presort letters ('MACH INCOMING COST' and 'MACH INCOMING MODEL').

The model cost estimates from the cost spreadsheets have been linked to the 'PRESORT LETTERS SUM' tab on page 5 of the model. The affected tabs and line items have been highlighted in yellow.

Finally, the "MODS" tab has also been removed from the workbook. MODS data were once used to develop aggregate volume variability and piggyback factors by

operation based on the percentage of mail that was processed in a given operation on mail processing bar code sorters (MPBCS) and delivery bar code sorters (DBCS). The MPBCS machines have now been retired. The MODS data now serve no purpose in the cost model. The MODS tab has therefore been removed and the formulas that were linked to that data in other spreadsheets within the model have been adjusted accordingly. This modification has no impact on the cost estimates.

The page numbers and source documentation have been modified to reflect the fact that one spreadsheet has been removed from the model (the MODS spreadsheet). A 2010 version of the revised model can be found in the EXCEL workbook 'Proposal19.xls'.

IMPACT:

The impact of this modification is shown in Table 1 below.

TABLE1:
MAIL PROCESSING UNIT COST ESTIMATE IMPACT

PRICE CATEGORY	[A] WITH MODIFICATION (CENTS)	[B] WITHOUT MODIFICATION (CENTS)	[A] - [B] DIFFERENCE (CENTS)
Nonautomation Presort Letters (Machinable)	9.134	9.299	(0.165)
Automation MAADC Presort Letters	8.809	8.802	0.007
Automation AADC Presort Letters	6.930	6.925	0.006
Automation 3-Digit Presort Letters	6.653	6.648	0.005
Automation 5-Digit Presort Letters	4.296	4.292	0.003

Proposal Twenty

MODIFICATION OF THE BUSINESS REPLY MAIL COST MODEL

OBJECTIVE:

This proposal modifies the Business Reply Mail (BRM) cost model that contains the qualified BRM (QBRM) cost avoidance estimate and the BRM fee cost studies.

BACKGROUND:

The BRM cost model is typically filed in Folder 21 in the Annual Compliance Report (ACR) and contains the cost avoidance estimate that supports the QBRM barcode discount. In its 2010 Annual Compliance Determination (ACD), the Commission stated that:

> A decrease in avoided cost has led to the excessive passthrough….the Commission reiterated [in Docket No. R2011-2] its concerns that the current costing methodology underestimates the cost avoidance. For this reason, the Commission approved the proposed QBRM discount and it urged the Postal Service to develop a costing proposal and a petition to initiate a rulemaking proceeding as soon as practical." FY 2010 ACD, at 86.

The Commission reiterated this position in Order No. 987 in Docket No. R2012-3, adding that "the appropriate approach is to first address the methodology issue." Order No. 987, Docket No. R2012-3, at 14. The Commission has provided neither any rationale as to why it believes the cost avoidance is underestimated, nor any sense of why the methodology is incorrect.

The BRM cost model also contains the cost studies that support various annual, quarterly, monthly, and per-piece BRM fees. Many of the productivity values that these cost studies have relied upon have been proxies, which is to say that the productivity values were not based on measurement or observation of actual activities. In addition,

some productivity figures can only be collected manually through field studies and have not been updated in several years.

This proposal addresses the QBRM cost avoidance estimate issue and presents new productivity data to be used to update the BRM fee cost studies.

RATIONALE:

QBRM Cost Avoidance Estimate

The QBRM barcode discount was first proposed by the Postal Service and approved by the Commission in Docket No. R97-1. In that docket, witness Miller presented a 4.016-cent cost avoidance estimate that represented the difference in mail processing costs between a First-Class Mail handwritten reply mail piece and a preapproved, prebarcoded reply mail piece, up to the point where each mail piece received its first barcoded sortation on a bar code sorter (BCS). USPS-T-23, Docket No. R97-1, at 2-3. This methodology supports the QBRM discount today.

As witness Miller indicated in that testimony, the QBRM cost avoidance is driven by the fact that handwritten reply mail pieces have to be processed through the remote bar code system (RBCS), while preapproved, prebarcoded reply mail pieces do not. *Id.* at 3. One component of RBCS is the remote computer read (RCR) system. The RCR system was first deployed in 1996 and contains character recognition software that can resolve some images once they have been lifted by the multi-line optical character reader input subsystem (MLOCR-ISS). Images for which the RCR system could provide a resolution did not need to be forwarded to the remote encoding center (REC), where data conversion operators read and resolve images, and therefore incurred lower processing costs. When RCR was first deployed, the finalization rate was only 25

percent.

In Docket No. R2000-1, some parties, including the Postal Service, supported the expansion of the QBRM analysis. Postal Service witness Campbell presented an expanded analysis that included mail processing costs up through the incoming secondary operation. USPS-T-29, Docket No. R2000-1, at 39. Despite the fact that wage rates had increased and witness Campbell had presented an expanded QBRM analysis, the QBRM cost avoidance estimate actually decreased to 3.38 cents. Witness Campbell stated that the decrease was due to character recognition (i.e., RCR) improvements. *Id.* at 40.

It is not truly possible to develop an "expanded" QBRM cost savings analysis, like that presented in Docket No. R2000-1, for two reasons. First, there are currently no data that can be used to determine the percentages of BRM that are isolated from the residual single-piece mail stream in the various automation and manual operations. Second, mail volume typically determines the specific point at which the BRM for a given recipient is isolated from the residual single-piece mail stream. The mail for high volume recipients is likely isolated in "upstream" operations and would be isolated in those operations even if the recipients relied on handwritten reply mail pieces rather than QBRM. The mail for low volume recipients is likely isolated in "downstream" operations and would be isolated in those operations even if the recipients relied on handwritten reply mail pieces rather than QBRM. Consequently, the RBCS-related "barcoding" costs represent the only cost difference between a QBRM mail piece and its handwritten reply mail counterpart.

In Docket No. R2001-1, Postal Service witness Miller reverted to the Docket No.

R97-1 analysis and explained how the Docket No. R2000-1 analysis had inappropriately inflated the savings estimate. USPS-T-22, Docket No. R2001-1, at 26-27. Witness Miller also made the following statements in his testimony:

> As a result of these [automation] efforts, the cost differences that have existed among the three single-piece machinable mail types have been shrinking over time, all else equal. I discussed this issue at length in Docket No. R97-1. This phenomenon is especially evident in the case of Qualified Business Reply Mail (QBRM). *Id.* at 5 (l. 11-15).
>
> The QBRM cost study compares the mail processing costs for a preapproved, prebarcoded QBRM mail piece to the mail processing costs for the same reply mail piece were it to have a handwritten address as an alternative. The savings measured for QBRM letters and cards decreased from 4.016 cents in Docket No. R97-1 to 1.541 cents [using the Docket No. R97-1 methodology] in Docket No. R2000-1. This fact is not surprising, given that the RCR 2000 project was designed to improve the RCR finalization rate to 69 %. In May 2001, the Board of Governors again approved a Decision Analysis Request (DAR) for the Letter Recognition Enhancement Program that will boost the aggregate MLOCR-ISS/RCR finalization rate to 93.2 %. Consequently, the QBRM worksharing related savings estimate measured in this docket has decreased to 0.846 cents. *Id.* at 5 (l. 16-25).
>
> The enhanced letter and card mail processing technologies implemented by the Postal Service do indeed affect the costs for all letters and cards. These enhancements could also result in worksharing related savings estimates that shrink over time, if the impact of these changes are not offset by increased wage rates. As the Postal Service continues to invest in improved sortation technologies, the costs and/or worksharing related savings measured for those mail pieces being sorted will continue to change as well. *Id.* at 7 (l. 17-23).

Over time the Postal Service has indeed continued to capture savings as a result of these technological improvements. The number of REC facilities serves as evidence of this fact. At one time, there were 55 REC facilities. There are now only two REC facilities. The fact that the QBRM savings estimate has decreased over time makes sense when all the empirical facts are considered. The Postal Service therefore proposes the continued use of the Docket No. R97-1 QBRM cost avoidance

methodology.

Finally, the FY 2010 QBRM cost avoidance was measured to be 1.325 cents based on a RCR finalization rate of 91.89 percent. This RCR finalization rate appears to have leveled off over time. If the RCR finalization rate in the model were changed to 100 percent, the cost savings would still be 0.759 cents. The savings estimate would therefore never be lower than this value unless the wage rates actually decreased. Wage rates, however, have continuously increased over time. If they continue to increase, the cost avoidance will likely begin to increase as well.

BRM Fees

The BRM fee cost analyses rely on two types of data inputs that cannot be obtained through Postal Service data collection systems. First, BRM Practices Studies are periodically conducted which measure the percentage of mail by price category that is processed using the various counting, rating, and billing methods. Second, productivity data that represent the various counting, rating, and billing tasks have to be incorporated into the model. The Management Operating Data System (MODS) cannot be used to derive these productivities. In the past, proxy productivity values have been used or productivity data have been manually collected at postal field sites.

BRM Practices Study: The last BRM Practices Study was conducted in 2005 and presented in Docket No. R2006-1, USPS LR-L-34. The Commission did not fully support the results of that study, largely due to the fact that a substantial percentage of BRM mail pieces were found to be counted manually:

> "The Commission finds the Postal Service's conclusion that roughly 27 percent of High Volume QBRM mailpieces are manually-counted unreliable based on the fact that approximately 96 percent of letters are sorted on machines. Tr. 10/2568, 2573. Because QBRM mailpieces are

> highly machine-compatible by definition, the Commission is hesitant to find that the percentage of High Volume QBRM manually counted is significantly above the mail sort percentage for letters." Opinion and Recommended Decision, Docket No. R2006-1, at ¶ 6055.

In its decision, the Commission appeared not to have considered several issues. Specifically, it did not address the impact that the destinating BRM volumes have on the counting methods that are used at any given site. The statement that a very high percentage of cards and letters are processed on automation is certainly true. This statement is also true for QBRM and BRM processed in "upstream" operations. As BRM moves into "downstream" operations, however, and gets closer to the point where it has to be counted, there are reasons why the counting function may not be performed using automation.

In the case of the web-based business reply mail accounting system (webBRMAS) software, the operation has to be maintained by a postal employee who is typically an operations support specialist in the In-Plant Support group.[2] If a plant serves relatively few large BRM accounts, the management staff may determine that it is not beneficial to maintain a webBRMAS operation.

In some instances, piece counts from webEOR reports can be used as an alternative to webBRMAS. Some BRM accounts, however, may contain volumes that are smaller than those associated with other mail groupings. In this instance, the management staff may choose to dedicate a bin for another purpose, for a mail recipient or recipients receiving more mail than the BRM account does, rather than using that bin to isolate the mail for a specific BRM recipient. Consequently, manual

[2] Only 11 destinating BRM processing facilities currently maintain BRMAS operations. This fact serves as further evidence that a significant percentage of BRM counting, rating, and billing functions are indeed performed manually.

operations, rather than webEOR reports, may be used to determine the piece counts.

While both webBRMAS and webEOR methods can be used to determine piece counts, they cannot be used to determine the individual weights for the mail pieces processed on automation. During the field study, it was observed that clerks at many sites that did use webBRMAS or webEOR culled through mail after it had been counted using webBRMAS and webEOR methods in order to ensure there were no "heavy" mail pieces. In cases where mail pieces were found to weigh over one ounce, clerks adjusted the PS Form 3611 BRMAS bill or the webEOR piece count accordingly. If the mail for a given recipient contains a high percentage of mail pieces that weigh over one ounce, a plant may determine that it is more efficient to rely on manual counting operations.

In fact, some BRM is still counted manually, even when a plant relies on BRMAS and webEOR methods to count the bulk of a recipient's mail. While bar code acceptance rates are quite high, they are not 100 percent, meaning that a machine count of the recipient's total BRM pieces would not be possible. In addition, some recipients have requested only one bill that accurately reflects the piece count for a given day. These recipients do not want to receive both PS Form 3611 bills for BRMAS volumes and PostalOne! PS Form 3582C bills for the manually processed volumes. A plant or a delivery unit may therefore manually count all of a recipient's BRM for that reason alone.

There are other issues related to BRM that also result in the use of manual counting methods. One example concerns large volumes of forwarded mail, especially for mail pieces that are being sent to fulfillment processors that service magazine

publications. A few years ago, a fulfillment processor (Firm A) was acquired by a second fulfillment processor (Firm B). At one time, Firm A was serviced by the highest volume BRM processing facility in the country. The BRM operations at this facility were observed the week before the year-long forwarding period had expired. Even after almost a full year, the clerks at that facility were still relying on four letter cases to manually process the Firm A BRM mail before sending it to the new facility that serviced Firm B. The clerks also indicated that they were going to have to begin returning the mail pieces to the original senders after the forwarding period had expired the following week. This manual sorting occurred because the BRM recipient was still relying on card and envelope stock that was imprinted with the old destinating address, nearly a year after the fulfillment processor had been acquired and relocated.

A second example concerns the cyclical nature of BRM. BRM volumes that are processed at a given facility can vary by month, by week, and by day. While any plant may receive a relatively high volume of BRM on a given day, the BRM volume that it receives on average may be much smaller. Plants may therefore determine that it is not feasible to maintain a bin on a sort program on a regular basis to isolate a given BRM recipient's mail, because that recipient would not be reliably receiving a sufficient quantity of pieces every day to merit using a bin to isolate that mail. The Plant's inability to perform nimble adjustments to the sort programs means that that mail may therefore always be counted manually.

The observations that were made during this summer's field study confirmed the Docket No. R2006-1 finding that a significant percentage of BRM is counted manually. In fact, there are currently only 11 destinating BRM processing facilities using the

webBRMAS software. Some of these facilities were using webBRMAS to process only one to three trays of mail per day. In addition, some of the volumes that were observed being counted using webEOR methods during the study were also quite small. Given the presence of relatively small mail volumes and the fact that some mail is always going to end up in manual operations even when automation methods are used, it is not surprising that some plants and/or delivery units choose to rely on manual counting operations only.

In fact, most delivery units receive some volume of BRM. This mail is typically isolated in a "housekeeping" bin on the incoming secondary operation at the plant and the counting, rating, and billing tasks are performed at the delivery unit. In these instances, the counting process is nearly always performed manually. A small volume of BRM that is counted at a delivery unit might seem inconsequential. When those small volumes, however, are multiplied by the total number of delivery units that receive at least some BRM, the percentage of BRM processed manually, in total, is significant.

Recent field observations support the findings of the 2005 BRM Practices Study. The Postal Services therefore proposes that those data should be relied upon to develop the BRM fee estimates.

2011 Field Study: A field study was conducted over the summer of 2011 in which productivity data were collected for the BRM fees cost analyses. Data were collected at 24 delivery units (DUs) and 24 processing and distribution centers (P&DCs). The facilities that were included in the study covered all counting methods, billing methods, and non-letter size BRM processing methods.

In recent rulemaking dockets, the Postal Service has submitted proposals that

included productivity estimates that were collected manually. In Docket No. RM2010-12, Proposal Seven, the Postal Service presented productivity data that were manually collected during a field study and used to develop a Standard Mail parcel / not-flat machinable (NFM) mail processing cost model. In its comments, the Public Representative expressed concern about the standard deviation exhibited by the data as well as the accuracy implications of the cost and revenue analysis (CRA) proportional adjustment factor. The Commission approved the use of the new productivity data and applied its Docket No. R2006-1 cost pool classification methodology. It should also be pointed out that the application of the Commission's cost pool classification methodology increased the CRA proportional adjustment factor. [3]

In Docket No. RM2011-6, Proposal Thirteen, the Postal Service presented a new Parcel Select / Parcel Return Service mail processing cost model that relied on the Proposal Seven productivity data. In its comments, the Public Representative again pointed out the variation exhibited by the Proposal Seven data, but added that it should not preclude the Commission's approval of the cost model. The Commission approved

[3] The Postal Service does not believe that the magnitude of CRA proportional adjustment factors should necessarily be used as an accuracy indicator for mail processing cost models. The cost models are simplified representations of postal mail processing operations. Some cost pools that are classified as proportional contain costs beyond those included in the models. For example, forwarding and return costs are not incorporated into the First-Class Mail letter models, even though the cost pools would contain some amount of unknown forwarding and return costs. It should therefore never be expected that a CRA proportional adjustment factor would exactly equal 1.000, or if it did, it should not be viewed as a sign of modeling perfection. In addition, the Public Representatives have largely supported the Commission's revised cost pool classification methodology in several rulemaking dockets. In each of these dockets, the usage of this methodology always resulted in larger CRA proportional adjustment factors. If CRA proportional adjustment factors were true indicators of model accuracy, one might expect that the Public Representatives would not have supported those methodological changes.

the new model and applied its Docket No. R2006-1 cost pool classification methodology.

In Docket No. RM2011-5, Proposal Nine, the Postal Service presented revised First-Class Mail and Standard Mail presort letter models in which six modifications had been incorporated into the previously approved models. One such modification was the use of new productivity data that were collected manually in the field. In its Petition, the Postal Service demonstrated that the incorporation of the new data had minimal impact on the larger volume price categories. In its comments, the Public Representative again pointed out that the data exhibited variation. In this instance, however, the Commission rejected the use of the new data and, instead, chose to rely on older data from a study for which the original materials and data could not be found.

There are no current standards concerning the variation that could or should exist within productivity data that have to be collected using manual means. Productivity data that are collected manually exhibit variation because variation exists in the field. Larger sample sizes are not necessarily going to result in less variation. In fact, the data that are derived from postal data collection systems also exhibit variation.

The Commission and the Office of the Inspector General have taken issue with the age of some cost model data in the past. Given that there are no specific variation standards for manually collected productivity data, it is unclear whether the more heinous crime is to rely on “old’ data (some of which was based on extremely few observations, and some for which the original data collection materials cannot be located) or to have new data that were developed from an insufficiently narrow range of observations.

Nonetheless, the Postal Service has made an attempt in the instant proceeding to address these issues to the extent it is possible to do so. For some productivity values, the sample size formula from the time study section of the industrial engineering handbook has been applied to the data as a means to evaluate the results.[4] This formula estimates the sample size required to achieve a specific accuracy level using statistics from the sample that has already been collected. If the required sample size is less than the actual sample size, the desired accuracy level has been achieved. In some instances, this formula was not applied and alternative estimating methods had to be developed. These methods are described in more detail below.

Productivity estimates were developed for the following tasks: webBRMAS counting, webEOR counting, machine counting, manual counting, weight averaging counting (letters), weight averaging counting (flats & parcels), PostalOne! billing, and manual billing. Some of these data were also used to develop "minutes per day" estimates that support the QBRM quarterly fee and nonletter size BRM monthly fee cost studies, as described below.

WebBRMAS Counting: The productivity value that is currently in the BRM cost model was developed in Docket No. R97-1. At that time, mail processing clerks had to print out the PS Form 3611 bills generated by BRMAS for each account on a dot matrix printer located at the bar code sorters immediately after the mail was sorted. Today the Postal Service relies on the webBRMAS software. Postage Due clerks who typically

[4] The formulas is as follows: $N = [(s * t) / (k * x_{avg})]^2$, where s is the sample standard deviation, t is the value of the t distribution based on the sample size and an acceptable probability value, k is an acceptable percentage "around" x_{avg}, and x_{avg} is the sample mean. Savendy, Gavriel. *Handbook of Industrial Engineering.* New York: John Wiley & Sons, 1982.

perform the BRM counting, rating, and billing functions are now able to download the data and print the bills on the postal intranet in their normal work areas at any time after the mail has been processed. Despite these improvements, there are currently only 11 destinating BRM sites that rely on this software.

Given that a percentage of mail is processed manually even when a site is using webBRMAS, some sites do not provide their customers with PS Form 3611 bills. Instead, they print out a webBRMAS volume summary report and consolidate those volumes with the manual piece counts when they are preparing a PS Form 3582C bill using PostalOne! It should also be noted that webBRMAS is not electronically connected to PostalOne! A clerk still has to log onto PostalOne! and deduct the funds from a recipient's account, even when PS Form 3611 bills are provided to that recipient. In addition, as described above, clerks regularly check the mail for heavy pieces and adjust whatever billing documents they are using accordingly.

Most of the webBRMAS tasks are fixed regardless of the volume being processed on a given day. For example, the time required to log onto the system and download the mail processing file are fixed and do not vary as a function of volume. The cost model, however, relies on productivity values that are expressed in "pieces per hour" terms. As described above, the mail volumes for a given recipient vary a great deal based on the time of year, time of month, and / or day of the week. A productivity figure that is developed by dividing fluctuating mail volumes by a relatively fixed amount

of time is going to exhibit a lot of variation itself.[5] In order to address this issue, an alternative approach was used.

The webBRMAS software does not contain historic volume data that can be used to generate volume reports that span a great deal of time. The buffer only holds the volume data for the most recent day. Data were therefore collected each day for the 11 webBRMAS sites during the month of October 2011. These data were used to develop total monthly volume, average daily volume, and average daily accounts figures at each of the 11 sites.

During the field study, time estimates were collected at 9 of the 11 webBRMAS sites. These time study data and the average daily volume data are used to estimate the productivity value at each of the nine sites. The monthly volume figures are used to develop a weighted average productivity value. The volume data for the two sites that were not covered by the study have been incorporated into two of the nine sites that had similar mail volume and account figures. The final "raw" webBRMAS productivity value can be found on page 2 of the file 'BRM_PRODUCTIVITY_DATA.xls'. This figure is substantially higher than what was measured during the Docket No. 97-1 study. This is not surprising given the technological changes associated with webBRMAS. The end result is that the webBRMAS counting productivity has virtually no impact on the per-piece fee cost estimates.

WebEOR Counting: In some instances, BRM processing facilities rely on

[5] In the past, the BRMAS counting productivity included the time required to band the bill to a recipient's bundle of mail or to place the bill in a tray with a recipient's mail. In the instant proceeding these activities have been moved to the billing task. This change was made because these activities have to be performed regardless of the specific counting methods that are relied upon at any destinating BRM processing facility and are now performed by postage due clerks as part of the regular billing process.

webEOR volume data, rather than maintaining a BRMAS operation. For example, those sites that have relatively few BRM recipients may find it more effective to rely on webEOR piece counts for one or more recipients. The webEOR system is accessed from the postal intranet. Postage due clerks access the software and then print out the end-of-run report for the mail processing operation after it has been completed. The piece counts for the appropriate bins are then used to deduct the funds from the recipient's PostalOne! account. The webEOR figures may be adjusted if the clerk determines that some mail pieces weigh over one ounce.

During the field study, time estimates were collected at seven webEOR sites. Like webBRMAS, the variation in the volume processed on any given day can have a big impact on the productivity values. In order to mitigate the volume effect, average daily volume data were collected for each of the sites for October 2011 and used to estimate the productivity values.

There is, however, no complete list of destinating BRM processing facilities that rely on webEOR methods. Consequently, a weighted average productivity value was not produced. Instead, the average productivity value was calculated on page 3 of the file 'BRM_PRODUCTIVITY_DATA.xls'. The variation associated with this estimate indicates that a sample size of 238 readings would have been required to ensure that (95 percent of the time) any sample collected would result in a mean productivity value that would fall within +/- 10 percent of the calculated value. A field study of this magnitude would not be feasible. The relaxation of the confidence interval would result in a required sample size decrease, but the productivity values obtained from any sample would then differ a great deal.

The BRM cost model has historically assumed that there are no costs associated with webEOR counting activities. This assumption has proven to be false. The fact that there are actual data that can now be used represents an improvement to the model, even though the productivity value exhibits a great deal of variation. To an extent, this discussion is moot because the magnitude of the average productivity value is so high that it also has a very limited impact on the per-piece fee estimates.

Counting Machine: There were only two sites that indicated they were using counting machines to obtain the BRM piece counts in the 2005 BRM Practices Study. One site was contacted and incorporated into the 2011 field study. When counting machines are used, the postage due clerks load the mail onto a feed ledge of the machine and activate the machine. The machine then counts the mail pieces and deposits them onto a ledge located in another part of the machine.

The sample size for the counting machine portion of this analysis was small, but the data contained on page 4 of the file 'BRM_PRODUCTIVITY_DATA.xls' are statistically accurate. This fact is not surprising given that the machine dictates the pace of the operation. The productivity value that the cost model has historically relied upon was a proxy that represented a weight averaging productivity value. Consequently, the use of the new productivity value represents an improvement to the model.

Manual Counting: The measurement of the manual counting task begins at the point when all the mail has been sorted to the recipient level (i.e., sortation costs are not considered part of the counting costs). This task, however, includes time elements beyond those associated with the simple counting of mail pieces while riffling through a

tray of mail. This task also includes a small amount of time related to the weighing of mail pieces while counting. For example, a clerk could be quickly counting a handful of mail and remove one mail piece that could possibly weigh over one ounce and place it on a nearby scale while he or she continues to count. At some point, he or she will look at the scale and place the mail piece in the specific grouping related to weigh increments. In such instances, it is virtually impossible to isolate the weighing time from the counting time. In fact, the mail for some BRM recipients contains significant volumes for multiple weight increments. The time required to sort the mail for one recipient into weight increments is considered part of the manual counting task because this separation has to be performed in order to develop an accurate piece count.

Clerks who sort large volumes of mail also perform tasks beyond the simple counting of mail. Due to the high volume, these clerks may count in increments of 50 or 100 pieces. Once the increments are counted they may bundle each grouping and write the piece count on the top of the bundle.

Finally, most facilities that rely on manual counting methods maintain some sort of document that lists the recipients, their PERMIT numbers, and the price categories by weight increment. When the clerks have finished counting the mail, they will record the piece counts on those documents. These documents are used by the clerks when they deduct the funds from each recipient's PostalOne! account and are filed for future reference.

Manual counting time study data were collected at 25 of the total 48 destinating BRM processing sites visited. This is not to say that manual counting activities did not take place at the other sites. Many sites were included in this study because of the

specific methods they used to process some of their mail (e.g., the weight averaging operation for nonletter size BRM). All 48 sites counted at least a portion of their BRM manually, but it was not always possible to observe the manual operation when the focus had to be on another operation.

The results from this study are contained on page 5 of the file 'BRM_PRODUCTIVITY_DATA.xls' and indicate that the productivity estimate is statistically sound. This study is the first time that an attempt has been made to quantify the BRM manual counting task. The previous manual counting productivity values in the BRM cost model were proxies. The most recent proxy was the productivity value associated with riffling through letters at a plant. That MODS operation number was recently retired. The new productivity figure from this study is roughly of the same magnitude as the riffle letters proxy, but is slightly lower.

Weight Averaging Counting (Letters): Weight averaging counting methods are used to estimate the piece count for letter-shaped mail at a fairly small number of facilities. In the 2011 field study, three facilities were found to rely on weight averaging operations for letter-shaped mail. For small volumes of mail, individual scales can be used to weigh a handful of pieces. The clerk then counts those pieces. The average mail piece weight based on the piece count can then be entered back into the scale. The clerk places all the letters on the scale and it will display a piece count estimate based on the average mail piece weight.

For larger volumes of mail, destinating BRM processing facilities generally know how much a tray of mail weighs if it contains a specific number of pieces. They periodically verify that the weight value is accurate using manual counting methods.

The clerks place a full tray on the scale and then either add or remove pieces until they arrive at the target weight. This process is repeated until all mail pieces have been weighed.

The weight averaging results are contained on page 6 of the file 'BRM_PRODUCTIVITY_DATA.xls' and indicate that the letters weight averaging estimate is statistically sound. This study is the first time that an attempt has been made to quantify this productivity value using time study techniques. The previous estimate was developed using the Methods Time Measurement (MTM) predetermined time system based on the weight averaging operation observed at one facility. The new productivity value is somewhat lower than the MTM estimate that was previously used.

Weight Averaging Counting (Flats & Parcels): Weight averaging operations have been used to estimate pieces counts for flat-shaped and parcel-shaped mail since the "nonletter size BRM" price category was first established in Docket No. MC99-2. At that time, the primary users of this price category were film processors. Customers mailed plastic film canisters to the film processors in BRM envelopes. Due to the size of these film canisters, the vast majority of the mail pieces were parcel-shaped.

Today, there are only eight nonletter size BRM recipients and only one is a film processor. The mail for these eight recipients is processed at 11 different sites. Seven of the sites were included in the study. In FY 2010, the majority (over 73 percent) of the nonletter size BRM price category consisted of flat-shaped mail pieces.

Those plants that process nonletter size BRM have a small scale that is electronically connected to a computer. The WA-BRM software that resides on the postal intranet is used to weight average the mail. Two of the five sites that process

flat-shaped mail and the two sites that process parcel-shaped mail used flat tubs to weight average the mail. The postage due clerks loaded the tubs onto the scale. The WA-BRM software then recorded the weight and estimated a piece count based on the most recent conversion factor. The clerks then weighed all the remaining tubs.

The other two sites that processed flat-shaped mail loaded the tubs into an APC and then weighed the mail using a workroom floor scale. The total weight and "tare" weight (the weight of the tubs and rolling stock) were recorded manually on forms that were developed locally. The postage due clerks then entered the net weight into the WA-BRM software in order to obtain piece count estimates.

Due to the fact that different methods were used for weight averaging flat-shaped mail, PostalOne! volume data by site were used to develop a weighted average productivity value based on the percentage of mail that was sorted at the two sites using floor scales. This calculation can be found on page 7 of the file 'BRM_PRODUCTIVITY_DATA.xls'.

The parcel weight averaging productivity value was lower than that related to flats because fewer pieces could be placed into a container. The data are also contained on page 7 and appear to be statistically sound.

The flats and parcel weight averaging estimates also have to be weighted together using the percentage of RPW mail volume associated with each shape. Shape percentage estimates have been incorporated into the "BRM FEE INPUTS" tab (Section B, page 11) of the cost model and are used to weight the flats and parcel productivity estimates together.

PostalOne! Billing: After BRM has been counted and rated, the piece counts by

price category and weight increment must be used to deduct the appropriate funds from each recipient's PostalOne! account. Despite the fact that all postage due clerks use the same system to deduct the funds, there is still variation in terms of how the billing tasks are defined at a given facility. For example, the billing tasks at some plants consist of entering the data into PostalOne!, printing out the bill, and banding the bill to the mail or simply placing the bill in the tray with the mail. At other facilities, the bill is printed and mailed to the recipient separately rather than being placed with the mail. Two facilities even said that some recipients had access to the software and therefore did not want copies of the bill since they could access the financial data themselves.

As with other software programs, such as webBRMAS, many elements of the PostalOne! billing tasks are fixed in nature and do not necessarily vary with volume. For example, the time to log on, enter the PERMIT number, and click through the many screens is basically fixed time. In addition, one recipient may receive 111 pieces for one price category, while another recipient may receive 999 pieces for the same price category. When the bills are being prepared for these two recipients, the only task difference would be the fact that the three keystrokes the clerk enters are for different numbers; the time required to perform these tasks would be roughly the same. The productivity values, however, will differ dramatically when they are expressed in costs per piece.

The data from a fairly large PostalOne! billing sample were collected in the 2011 field study and can be found on page 8 of the file 'BRM_PRODUCTIVITY_DATA.xls'. When the sample size formula is applied to the pieces per hour figures, the number of readings that would be required to achieve any sort of statistical confidence in the result

would be prohibitively large. As an alternative, the sample size formula was applied to productivity values that were expressed in terms of accounts per hour. In this instance, the required sample size was less than the actual sample size, which indicates that the data are statistically sound.

The accounts per hour productivity figure was therefore incorporated into Section B, page 11 of the cost model. The account productivity value was converted into separate pieces per hour figures for the Basic QBRM, High Volume BRM, and Basic BRM price categories using PostalOne! volume data.[6] (The billing costs for the High Volume QBRM and Nonletter Size BRM price categories are included in the quarterly and monthly fees, respectively, and are discussed in more detail below.) These volume data represent the average volume per account per day (that volume was actually received) for each price category. This modification also results in billing costs that vary by price category.

Manual Billing: Some bills are still prepared manually. The manual billing data can be found on page 9 of the file 'BRM_PRODUCTIVITY_DATA.xls'. As was the case with the PostalOne! billing data, the variation associated with the productivity values expressed in terms of pieces per hour was much greater than that associated with the productivity values expressed in terms of accounts per hour. The accounts per hour estimate proved to be more statistically sound and was therefore incorporated into the BRM cost model in a manner similar to the PostalOne! billing accounts per hour estimate.

QBRM Quarterly Estimate: The High Volume QBRM price category was

[6] Average accounts per hour * average pieces per account (per day received) = average pieces per hour.

established in Docket No. R2000-1. A basic premise of the original proposal was that billing costs are fixed for high volume mailers. These billing costs served as the basis for a quarterly fee for this price category. The counting costs served as the basis for the per-piece fee.

The data that Postal Service witness Campbell used to estimate the quarterly billing costs in Docket No. R2000-1 were from a 1989 study. In addition, witness Campbell used a time estimate for manually generating a bill as a proxy for the time required to generate a bill using computerized billing methods.

The Postal Service proposes that the QBRM quarterly fee cost study be modified. Productivity estimates, in terms of average minutes per day, have been incorporated into Section B, page 11 of the cost model using data that were collected in the 2011 field study. The average number of delivery days per year have also been incorporated into the cost study. These data are then used to estimate the quarterly costs in Section B, page 4 of the cost model.

Nonletter Size BRM Monthly Fee: The Nonletter Size BRM monthly fee was established in Docket No. MC99-2 and covers the billing and sampling costs associated with this mail. The WA-BRM software is used to perform these tasks. As was the case with webBRMAS, the WA-BRM software is not directly linked to PostalOne! The postage due clerks typically print out a WA-BRM summary report after the weight averaging process has been completed and then use the volumes from that report when they are deducting funds from a recipient's account in PostalOne! The Nonletter Size BRM billing time estimates can be found on page 10 of the file 'BRM_PRODUCTIVITY_DATA.xls'. Although the sample is relatively small, the

average billing time appears to be statistically sound.

The WA-BRM software also requires periodic sampling to ensure that the conversion factors are current. Sample weeks generally occur once per month and samples are collected during each delivery day (6 days total). During a sampling week, the postage due clerks load each tub onto the scale as part of the weight averaging process. The WA-BRM software randomly selects five tubs and indicates to the clerks which tubs should be sampled. The clerks then load a mail piece from the sample container onto the scale. The monitor beeps when the weight has been recorded and the clerk then loads the next mail piece from the sample container onto the scale. This process continues until all pieces within the sample container have been weighed.

The Nonletter Size BRM sampling time estimates from two sites that were visited during sample days are contained on page 11 of the file 'BRM_PRODUCTIVITY_DATA.xls'. This sample is also relatively small, but is likely a reliable estimate given that the WA-BRM software controls the sampling pace.

The WA-BRM software is now on the postal intranet and has been modified from the versions that were first available. In addition, the mail mix (in terms of shape) has changed a great deal over the last ten years. The sampling productivity values currently in the model are therefore likely to be incorrect. The new productivity values represent an improvement to the monthly fee cost estimate.

Collection Productivity Data: The per-piece fee cost study for the Basic BRM price category (Section B, page 9) includes cost estimates for box section clerks and carriers who have to collect funds from the BRM recipients. The data from the 2005 BRM Practices Study indicate that only 2 percent of the mail in this price category

requires collection activities. During the field study, there were no incidents in which either carriers or box section clerks were observed collecting funds from BRM recipients. Field management indicated that collection is periodically required of these employees, but it seldom occurs. It was therefore not possible to collect productivity data specific to collection activities. Given the relatively small impact these activities have on the per-piece fee cost estimate, the Postal Service proposes the continued use of the collection productivity estimates that have historically been in the Basic BRM per-piece fee cost model.

All the productivity values described above have been incorporated into Section B, page 11 of the BRM cost model. In order to account for break times and the time required for clocking in and out, these raw productivity values have been adjusted using overhead factors from Docket No. ACR2010. These adjusted productivity values have been further adjusted using volume variability factors as a means to estimate the marginal productivity values upon which the cost model relies.

Other Model Changes

The following additional changes have also been made to the cost model:

The per-piece fee cost study for the High Volume QBRM price category (Section B, page 6 of the model) contains a line item for “other software.” One destinating BRM site did once use a locally developed software program to determine the daily piece counts. That site, however, converted to webBRMAS a few years ago, leaving no facilities using “other” software. The “other software” line item has therefore been deleted.

The per-piece fee cost studies for the Basic QBRM, High Volume BRM, and

Basic BRM price categories (Section B, pages 7-9) contain a line item for “BRMAS” under the heading “Rating / Billing method.” Each study indicates that a percentage of the mail is “billed” using webBRMAS and that the associated costs are zero. As described above, webBRMAS is not linked to PostalOne! Postage Due clerks must still deduct the funds from each recipient’s account, even when webBRMAS is used to determine the daily piece counts. Consequently, the “BRMAS” volume percentages in the three cost models have been added to the PostalOne! volume percentages and the BRMAS line items have been deleted.

Finally, the “BRM FEE INPUTS” tab has been reformatted with notes that indicate how the calculations have been performed.

The worksheet tabs within the BRM cost model have been highlighted in yellow if they contain any modifications. In addition, the areas within each worksheet where changes have been made have also been highlighted in yellow.

IMPACT:

The modified BRM cost model is contained in the file ‘Proposal20.xls’. The impact of the proposed modifications is summarized in Table 1 below.

TABLE1:
BUSINESS REPLY MAIL COST ESTIMATE IMPACT

Price Category	[A] Docket No. ACR2010	[B] Instant Proceeding	[B] - [A] Impact
	Cost (Cents)	Cost (Cents)	Cost (Cents)
QBRM Cost Avoidance	1.325	1.325	0.000
	Cost (Cents)	Cost (Cents)	Cost (Cents)
High Volume QBRM Per-Piece Fee	0.710	0.852	0.142
Basic QBRM Per-Piece Fee	2.975	2.030	(0.945)
High Volume BRM Per-Piece Fee	4.559	3.978	(0.581)
Basic BRM Per-Piece Fee	45.433	55.516	10.083
Non-Letter Size BRM Per-Piece Fee	0.793	0.369	(0.423)
	Cost ($)	Cost ($)	Cost ($)
QBRM Quarterly Fee	$805.969	$123.517	(682.452)
Non-Letter Size BRM Monthly Fee	$767.386	$430.812	(336.573)